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A traditional update on the commission and it's activities from the director, Dee Jones Noordermeer.

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The first part of a two part article on a company and its needs for a policy manual.

Housing Bias Hard to

Detect. An article on a few of the new schemes and new difficulties facing fair housing.

Appraiser's Update

Meth: Closer Than You Think

The Caravan topic for this fall will hit closer to home for many of you than you could ever imagine.

This course will give you an idea of the effects that meth can have on a home and an individual that resides in a home where meth has been produced. It sheds new light on the need of the Meth Form recently in force

Fall Caravan 2004!

Don't miss out on a great session with FREE COOKIES AND DRINKS, plus you get 6 hrs of required continuing ed!

Instructor: MAPP - SD

Course: Meth: Closer Than You Think

Registration Fee: \$50.00 (including snacks during morning break)

Class begins at 9:00 a.m.

(Walk in registration begins at 8:15 a.m.)

For access assistance, handicapped persons may call the Commissions office at (605) 773.3600

Sioux Falls - Ramkota (in the Annex) - October 4th and 5th

Watertown - Ramkota - October 6th

Aberdeen - Ramada - October 7th

Pierre - Ramkota (in Theatre 2) - October 12th

Rapid City - Ramkota - October 13th

Spearfish - Holiday Inn - October 14th

Pre-registration is required to guarantee admission. Failure to register may prohibit your attendance if the class is full. The Commission will retain \$10 of any refunded registration fee. Please complete and mail the registration form below along with the registration fee to the S.D. Real Estate Commission at 425 East Capitol, Pierre SD 57501. Registration deadline is 5 days prior to each session.



S.D. REAL ESTATE COMMISSION

Registration Form

Fall 2004 Educational Caravan

Name _____ License Number and Type _____

(Mailing Address) _____ (City) _____ (State) _____ (Zipcode) _____ (Phone) _____

Please check which you would like to attend.

- ☐ Sioux Falls -- October 4th
- ☐ Sioux Falls -- October 5th
- ☐ Watertown -- October 6th
- ☐ Aberdeen -- October 7th
- ☐ Pierre -- October 12th
- ☐ Rapid City -- October 13th
- ☐ Spearfish -- October 14th

\$50 registration fee payable to SDREC must accompany this form.
PLEASE -- one registrant

From the Director's Desk



Summer is quickly coming to a close. Even though we've had some warm days lately, the brisk night air reminds us that fall is just around the corner. With the advent of fall, I'd like to remind you of our fall caravan. Education Director Josh Ring has been diligently working with Prairie View Prevention Services to bring you an outstanding seminar on methamphetamine awareness. We've been receiving lots of questions on this issue. One of which is the question of when the form needs to be given. Keep in mind that the seller's meth disclosure form falls under the same chapter of the law as the seller's property condition disclosure statement. Therefore, this form must be given to a buyer BEFORE a written offer is made. If a property was listed prior to the effective date of the "meth bill", which was July 1, 2004, and a buyer wanted to make an offer on July 2nd, a meth disclosure form would have to be provided. The date of the listing is not relevant.

The Commission office has also been receiving calls regarding sales tax on commission splits from a HUD-owned property. The Business Tax Division of the Department of Revenue and Regulation has made a final determination on this issue. According to the Division, the real estate commissions received from the sale of a HUD home that are paid by HUD are exempt from sales tax because HUD is a government entity. Therefore, if a listing broker shares a commission received from HUD with a buyer's agent, that share of the commission is also tax exempt. Any fees or commissions received that are not from HUD or another tax exempt are subject to sales tax.

Promissor, a national testing company, is currently in the process of conducting a national real estate job task analysis. The purpose of this study is to ensure that real estate exams have been updated with the latest knowledge and skill sets necessary to be effective and compliant in the real

estate industry. A random sampling of South Dakota licensees have been selected to complete a survey that will identify what's truly important in the real estate profession. This is a good opportunity for the licensees completing the survey to influence the content of a national exam as a practitioner in this field.

South Dakota Housing Development Authority will no longer accept first-time homebuyer loans with Seller Assisted Down Payment Programs such as Nehemiah Corporation of America, Housing Action Resource Trust (HART) Down Payment Assistance Program, Buyer's Fund, Inc., Neighborhood Gold GIFT Program, Partners in Charity Inc. (PIC) Gift Program, etc. Brent Adney, Director of SDHA's Homeownership division says, "We feel that our menu of Downpayment Assistance Programs can be used in lieu of Seller Assisted Down Payment Programs." For more information about these programs, contact the Homeownership division at 605-773-3181.

In closing, I'd like to share with you a fall quote I recently read, "Winter is an etching, spring a watercolor, summer an oil painting and autumn a mosaic of them all — *Stanley Horowitz*." Take some time and enjoy nature's artwork.

DjN

A Letter From the Chairman



Joshua Ring, Director of education for the South Dakota Real Estate Commission, invited pre-licensing real estate instructors to attend an instructor development workshop, July 26 and

27. Josh asked that at least one representative from each pre-licensing course sponsor be in attendance. Approximately a dozen attended the

sessions. Debbie long conducted the two-day workshop on the subject of teaching adults. Joshua and Dee Jones Noordermeer then met with the instructors on July 28 for a courses development workshop having to do with the new 100-hour pre-licensing course for broker associates.

The workshop for instructors was approved by the commissioners as they believed it was time for the instructors to come together and be provided educational opportunities on working with adults in the classroom. Also, as we are in the final stage of phasing the salesperson's license to the broker associate license, it was time to work on the course content for the 100-hour course, which Joshua has asked all of the instructors to submit by the end of this year.

I attended each session and thank Debbie long for putting together a well-organized course on teaching adults. Joshua and Dee provided the instructors with a good content outline for the 100-hour course. Equally valuable was the opportunity for the instructors to share ideas on teaching skills and methods.

The South Dakota Real Estate Commission is increasingly requiring a licensee found in violation of License Law or State Statute, to take additional education, above continuing education requirements, in an area or areas where there appears to be a deficiency in the licensees understanding (i.e. agency, contracts, license law, etc.). IN addition, the commission office puts a lot of thought into what subject areas, usually current trends and issues, that the caravans provide for us. The long and short of it is as our profession becomes more and more complex, our educational opportunities need to keep pace. Our profession demands high quality instructors and attentive students.

**Loren Anderson,
Chairman**

New Licensees

The South Dakota Real Estate Commission would like to welcome the following new licensees.

Broker

Kodner, Eric M - Sioux Falls
MacDonnell, James M - Denver, CO
Strong, Paul R - Ortonville, MN
Tate, Elaine H - Gadsden, AL
Tillisch, Donald C - Fargo, ND
VanDerBrink, Yvette M - Hardwick, MN

Broker Associate

Asher, Steve - Rapid City
Ballow, Elizabeth A - Hill City
Boote, Lori J - Sioux Falls
Bosch, Melissa B - Sioux Falls
Brick, Calli M - Sioux Falls
Brickey, Rebecca - Hill City
Brooks, Jeffrey P - Sioux Falls
Clark, Steven T - Sioux Falls
Clow, Brenda A - Sioux Falls
Colhoff, Sandra R - Deadwood
Croeni, Robert C - Conde
DeGroot, Alicia R - Sioux Falls
Dougherty, Scott W - Sioux Falls
Eisentraut, Rachel M - Sioux falls
Ellensohn, Julia K - Sioux Falls
Eurich, Lloyd C - Hills City
Evanson, Laurie K - Watertown
Fleming, Jennifer A - Sioux Falls
Gibson, Jerolyn K - Rapid City
Goodale, Douglas M - Sioux Falls
Hall, Donald P - Rapid City
Hensley, Anthony J - Rapid City
Hoover, John C - Pierre
Kaiser, Misty L - Rapid City
Klingaman, Kleve - Mitchell
Kosse, Lisa K - Sioux City, IA
Leikvoll, Andrew J - Sioux Falls
Luetke, Larry F - Sioux Falls
Mackey, Tammy L - Rapid City
McCollam, Marty - Martin
McDowell, Robert W - Sioux Falls
Mettler, Gerald H - Canton
Morrison, Jason J - Sioux Falls
Muth, Angela R - Sioux Falls
Paz, Bradley A - Rapid City
Pederson, Katie L - Watertown
Peschong, Marilyn - Mitchell
Peschong, Stephen - Mitchell
Peterson, James - Brookings
Poss, Clifford - Piedmont
Pridgeon, Trudy J - Spearfish
Prochniak, Jennifer L - Sioux Falls
Renner, Rita J - Sioux Falls
Rondeau-Bassett, Cheryl - Willmar MN

Sandberg, Suzett - Sioux Falls
Sandvig, Jamed F - Aberdeen
Schmitz, Corey J - Custer
Simmons, Scott M - Sioux Falls
Terronez, Melissa D - Watertown
Turner, Pamela J - Sioux Falls
Valentine, Pamela Y - Spearfish
Van Beek, Matthew L - Sioux Falls
Viergets, Nicholas L - Belle Fourche
Wilkins, Jasen R - Spearfish
Wilson, Jean E - Sioux Falls

Property Manager

Asher, Steve - Rapid City
Balkenhol, Ferd P - Deadwood
Embree, Cheryl L - Black Hawk
Graham, David - Sioux Falls
Herrboldt, Cyndi - Sioux Falls
Miller, Amy - Sioux Falls
Spies, Adam E - Watertown

Reg. Home Inspector

Black, Thomas E - Aberdeen
Falken, Dennis A - Auroa
Lamer, Ryan T - Elk Point
Pitkin, Paul G - Britton
Speckels, Rolly - Chamberlain

Res. Rental Agent

Cain, Wendy A - Rapid City
Dummermuth, Mia J - Sioux Falls
Starrett III, James W - Sioux Falls
Starrett, Cynthia M - Sioux Falls
Thompson, Alvera L - Sioux Falls
Williams, Terry L - Sioux Falls

Salesperson

Anderson, Dylan C - Redwood Falls, MN
Baker, Gary C - Edina, MN
French, Larry L - Gadsden, AL
Keating, Brendon - Omaha, NE
Lloyd, Elizabeth T - Sioux Falls
Meinders, Jerry - Sioux City, IA
Metzger, Marilyn K - Sioux Falls
Miller, Jan - Sioux City, IA
Utech, Debra - Sioux City

Time Share Agent

Northy, Daniel W - Rapid City
Purtell, David M - Rapid City
Wasserburger, William C - Rapid City

Disciplinary Action

The following disciplinary actions have become effective since reported in the last newsletter. A stipulation and Assurance of Voluntary Compliance is a settlement agreement between licensees and the Real Estate Commission and constitutes neither an admission nor a denial of any violation.

Wayne Goedken, Reciprocal Salesperson, Waukee, Iowa — Findings of Fact, Conclusions of Law, and Order — Goedken violated 36-21A-71 (30), (31) and (32), 36-21A-28, 36-21A-37, and 36-21A-40 whereby he failed to protect and promote the interests of his client and was unavailable at key points in the transaction. He allowed a non-licensee to act as a licensee and allowed a firm to perform the services of a real estate firm without being registered with the Commission. He partnered with an individual in a business which acted as a real estate firm without a license. Goedken was ordered to pay a penalty of \$2,500 and reimburse costs of \$7,424.80. License was revoked.

Larry Janssen, reciprocal broker, Worthington, Minnesota — Findings of Fact, Conclusions of Law, and Order — Janssen violated 36-21A-79 and 36-21A-147 by not meeting his responsibility for the supervision of the real estate activities conducted by his associate, Wayne Goedken. Janssen was ordered to complete education as determined by the Commission and pay a penalty of \$1,000.

Janssen Realty, licensed firm, Worthington, Minnesota — Findings of Fact, Conclusions of Law, and Order — Janssen violated 36-21A-79 and 36-21A-147 by not meeting its responsibility for the supervision of the real estate activities conducted by Wayne Goedken. Janssen Realty was ordered to pay a penalty of \$1,000.

Marilyn Moothart, broker, Madison — Stipulation and Assurance of Voluntary Compliance — Moothart allegedly violated 36-21A-71 (1) and (32) by completing forms as a limited agent when in fact the property was owned by her. In addition, she may not have disclosed the true physical condition of the property to the buyer. Moothart agreed to complete 12 hours of education in

agency law, pay a penalty of \$250 and reimburse costs of \$100.

Charles Fischer and John Fischer, brokers, Long Lake — Stipulation and Assurance of Voluntary Compliance — Fischer allegedly violated 36-21A-84 and 36-21A-71(1) by withdrawing their commission held in trust before a transaction closed. The Fischer's agreed to complete 12 hours of education, submit transactional documents of the next 5 transactions to Commission staff for review, provide evidence of monthly reconciliations of trust account to Commission staff and pay a penalty of \$250 each.

Yvette VanDerBrink, reciprocal salesperson at time of order, currently reciprocal broker, Hardwick, Minnesota — Findings of Fact, Conclusions of Law, and Order — VanDerBrink violated 36-21A-130, 36-21A-147 and 36-21A-71(4), (9), (32) and (33). She did not have a written agency agreement and did not conform to the written office policies of the firm. She attempted to influence the seller to cancel the purchase agreement which seller had with another broker. She represented that she had a buyer in place for property without the knowledge or consent of the owner. VanDerBrink's license was suspended for 6 months with a stay on condition that Defendant pay a penalty of \$1,000, reimburse costs of \$925.92 and complete 24 hours of education in South Dakota.

Edwin Elbers, reciprocal broker, Luverne, Minnesota — Findings of Fact, Conclusions of Law and Order — Elbers violated 36-21A-70 and 36-21A-147 by not meeting his responsibility for the supervision of his associate, Yvette VanDerBrink. Elbers was ordered to pay a penalty of \$500, reimburse costs of \$925.92 and complete 12 hours of education in South Dakota.

All States Realty, licensed firm, Luverne, Minnesota — Findings of Fact, Conclusions of Law and Order — This firm violated 36-21A-70 and 36-21A-147 by not meeting its responsibility for the supervision of Yvette VanDerBrink. All States Realty was ordered to pay a penalty of \$1,000.

Policy Matters: Why Every Company Needs a Policy Manual

Part 1 of 2

By Carmel Streater, Ph.D., DREI

Why Are Policy Manuals Needed?

A company policy manual will not guarantee that managers use no time giving directions to employees. Nor will it ensure that management will not physically, emotionally or sexually abuse employees. It will certainly not give immunity from lawsuits.

What a well-developed and uniformly enforced policy manual **will** do is to communicate to management and employees the procedures for conducting normal daily business and for handling extraordinary situations that may arise.

Perhaps your company is very small indeed, possibly consisting of only you, your spouse and a receptionist/secretary. Even if you can guarantee that your company will never grow beyond that size, the employment of even a single person places your company in need of a policy manual.

The obligations of an employer to his employee under the labor laws are specific, and small companies who hire relatively few employees are not exempt from all of them.

Perhaps the single most important feature of any policy manual is that it is *written*. By their very nature, written statements of a policy are more permanent than spoken statements.

- Written policy statements can be reviewed a number of times by managers who want to be sure that they have clearly stated the attitudes and behaviors they expect of employees and independent contractors.
- A written policy statement can be re-read by employees and independent contractors until

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425 East Capitol

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Telephone: 605-773-3600

Facsimile: 605-773-4356

Website: www.state.sd.us/sdrec

E-mail: drr-realestate@state.sd.us

Editor-in-Chief: Dee Jones Noordermeer

Editor: Josh Ring

THE COMMISSION AND STAFF

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Articles by outside experts express the author's particular viewpoints. These opinions are not necessarily shared by the Commission, nor should they be mistaken for official policy. The articles are included because they may be of interest to the readers.

Attention Salespersons

If you have not started your broker education to upgrade your license to a broker associate status it is highly recommended that you take one of the upcoming courses posted on our website,
www.state.sd.us/sdrec.
The courses must be completed by Dec. 31st

the meaning of the policy comes clear.

- Written policy statements can be drafted in respectful language that will indicate the respect management will show to employees and independent contractors.

If you are the type of owner/manager who can talk about his policies but has trouble putting them on paper, you might want to consider using a dictating machine or one of the computer programs that allows you to speak into a microphone while software converts your speech to text.

What is the Basis for all Company Policy Manuals?

Policy manuals are basically expanded versions of the company's mission statement that communicate company policies, but also express the company's philosophy, and make explicit the mutual agreements between workers and employers without being an actual contract.

A company's policy manuals are the way in which the company's business philosophy and direction are clearly and completely communicated to new associates and employees.

The plural is being used in speaking of these manuals because it may be necessary to have a separate manual for each category of worker in your business. Of course, some of the information will be the same in all of them, but it should be clear that, for instance, vacation time and family leave time will be handled differently for independent contractors than for clerical employees.

When middle management is hired, some terms of their employment will differ from either those sales associates or clerical employees.

Policy manuals are intended to clearly communicate how situations will be handled whenever they arise in the company.

In other words, the independent contractors or employees will know before they agree to take the job how they can expect management to react to certain statements and/or actions.

Because it is company policy, they are entitled to expect that the same action will be taken regardless of the identity of the individuals involved in a given situation.

When associates/employees sign off on the appropriate company policy manual, they are accepting credit for future good deeds and responsibility for future misdeeds.

The principal job of the policy manual is, in other words, a statement the company's culture and or what a worker should and should not do if he is to comfortably fit into the company.

Continued in the next issue...

Housing Bias is Hard to Detect

Discrimination could be as subtle as not returning calls from people who sound black or foreign. By Diane Mastrull, Philadelphia Inquirer Staff Writer July 14, 2004.

More than 35 years after the federal government made housing discrimination illegal, finding a place to live still means a battle against bias for millions of Americans.

The distressing reality said Melvin Alston, a North Carolina real estate agent on the NAACP's housing committee, is that "housing discrimination is alive and well".

The Washington-based National Fair Housing Alliance estimates that at least 3.7 million violations occur annually. While the post-9/11 housing market has grown ever more hostile towards those of Arab descent, African Americans experience more discrimination than any minority, reporting about 1.7 million cases a year.

Making a troubling situation worse, fair-housing advocates say, is that detecting discrimination is more difficult than ever.

"No longer do you get 'I don't rent to black people'" said Rachel Wentworth, assistant director of the Fair Housing Council of Suburban Philadelphia. "No, people don't know it is happening to them."

Today's discriminators, she said, are landlords who use "no pets" policies to keep blind people with guide dogs out of apartment complexes. Or real estate agents who don't call back potential customers because they sound black or foreign.

However, the latest scam isn't about keeping people out of housing. It's about taking their money once they move in.

It is predatory lending and its victims - typically elderly black women - are talked into taking loans on terms they can't afford. The brokers then lure them into other loans, until they are so deep in debt that they have lost the equity in their homes. By the time foreclosure proceedings begin, the brokers have collected their fees and moved on to other victims.

"In a lot of ways, it's almost the reverse of what we saw back in the '50s, '60s and '70s when financial institutions didn't want to lend in minority communities," said Milton R. Pratt Jr., director of the U.S. Department of Housing and Urban Development's Philadelphia regional office. "Now we see financial institutions wanting to go into minority communities" to "prey on individuals who may not understand the loan terms."

Compounding the tragedy, predatory lending is "undoing a lot of the good work" of fair-housing advocate who labored for decades to make homeownership possible for minorities, said Jim Berry, executive director of the Fair Housing Council of Suburban Philadelphia. Two years ago, the Bush administration set a goal of creating 5.5 million new minority home owners by 2010. To that end, HUD has made public education about housing discrimination a priority, Pratt said.

That initiative is bringing Pratt to the NAACP convention today as a panelist at housing workshop, where delegates will be mobilized to fight housing discrimination.

"It's not as bad as the days of Jim Crow Sr.," said Alston, the NAACP committee member. "Jim Crow Jr. has to be a little bit more sophisticated. He'll smile at you and tell you he's your friend, but at the same time try to reach the same goal as his father - keep you away from his neighborhood."

(This article is republished with permission from North Dakota Fair Housing Council).

APPRAISER UPDATE

This section of the South Dakota Real Estate Review is the responsibility of the South Dakota Department of Revenue and Regulation Appraiser Certification Program. Articles are printed here to communicate pertinent information to those appraisers who receive this newsletter and are licensed under the Certification Program. Appraiser certification inquiries can be directed to Sherry Bren, Program Administrator, 445 East Capitol, Pierre, SD 57501, 605-773-4608

Appraiser Certification Program Mission – Purpose – Intent

The Appraiser Certification Program was implemented July 1, 1990, pursuant to enactment of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) by Congress. The mission of the Program is to certify, license and register appraisers to perform real estate appraisals in the state of South Dakota pursuant to Title XI (FIRREA). The purpose of the Program is to examine candidates, issue certificates, investigate and administer disciplinary actions to persons in violation of the rules, statutes and uniform standards, and approve qualifying and continuing education courses. Title XI intends that States supervise all of the activities and practices of persons who are certified or licensed to perform real estate appraisals through effective regulation, supervision and discipline to assure their professional competence.

Appraiser Certification Program Advisory Council

Council members provide recommendations to the Secretary of the Department of Revenue and Regulation in the areas of program administration in order to sustain a program that is consistent with Title XI. The Council meets quarterly in public forum. See the Website for meeting information. www.state.sd.us/appraisers

Notice

In the June/July 2004 issue of the South Dakota Real Estate VIEW the Appraiser Section the articles entitled Review of Cases As of May 20, 2004 and Flipping, one more time... contained text flaws with order and alignment. Please visit the Website www.state.sd.us/appraisers for the correct version of the articles.

USPAP Q & A

June 2004, Vol. 6, No. 6

Question 1: I am considering the sale of my appraisal practice. What are my USPAP obligations regarding confidentiality and record keeping?

Question 2: I am considering the purchase of another appraiser's appraisal practice. What are my USPAP obligations regarding record keeping and confidentiality?

July 2004, Vol. 6, No. 7

Question 1: Fannie Mae recently issued several new test appraisal report forms. Do these forms comply with USPAP?

Question 2: A local lender has asked me to appraise only a 5-acre portion of a 62-acre parcel, stating that Fannie Mae will lend on no more than 5 acres. Am I permitted to comply with this request?

August 2004, Vol. 6, No. 8

Question 1: What must be in the workfile when an appraiser issues an oral report?

Question 2: Is it acceptable to "create" a comparable sale by combining the purchase price of the land with the subsequent cost to build the improvements, for an indicated "sale price?"

Answers to the above questions can be found at: www.appraisalfoundation.org

2004 Renewal – Notice

The 2004 renewal applications were mailed the first week in July. In order to renew your certificate for state-certified general, state-certified residential, state-licensed or state-registered appraiser you must submit the renewal application and fees. The applications were due in this office by August 17, 2004. If you have not submitted your renewal application, please do so as soon as possible. All licenses expire September 30, 2004.

Reminder – Grounds for Disciplinary Action

Procuring or attempting to procure certification, licensure, or registration under this article by knowingly making a false statement, submitting false information, or making a material misrepresentation in an application filed with the department or procuring or attempting to procure a certificate through fraud or misrepresentation are grounds for disciplinary action by the Department of Revenue and Regulation. Read all applications carefully. [ARSD 20:14:11:03(2)]

Failure to notify the Department immediately of change of residential or business address is also grounds for disciplinary action. The Department would appreciate being notified of business name change and e-mail address change. [ARSD 20:14:02:02 and 20:14:11:04(20)]

Disciplinary actions may include denial, suspension, censure, reprimand or revocation of a certificate. [ARSD 20:14:11:02]

New Licensees – June-July-August

Shawn M. Asbenson, State-Registered
Mitchell, SD

Kirby M. Nauta, State-Registered
Spearfish, SD

William L. Christensen, State-Certified
General
(reciprocity) Salt Lake City, UT

John C. Brost, State-Registered
Piedmont, SD

Paul R. Strong, State-Certified Residential
(reciprocity) Ortonville, MN

Jeff Jackson, State-Registered
Mobridge, SD

John E. Wagner, State-Registered
Brookings, SD

Evelyn Regnier, State-Certified General
(reciprocity) Porter, MN

Dwight L. Dexter, State-Registered
Sioux Falls, SD

William M. School, State-Registered
Timber Lake, SD

Review of Cases As of August 24, 2004

For the period January 1, 2004 through August 24, 2004 there have been nine (9) upgrade applications, one (1) new application claiming experience, and nine (9) complaints submitted to the Department.

Upgrades – 3 Upgrades issued; 4 Agreed Dispositions; and 2 Pending
New Applications – 1 Agreed Disposition
Complaints – 4 Settled through Agreement; 1 Dismissed; and 4 Pending.

Appraising in a Small Town

By Larry Cole, SRA

The following article originally appeared in *Valuation Insights & Perspectives*. Copyright 2004. The Appraisal Institute. All Rights Reserved.

While most appraisals are not merely as simple as visiting the subject property, finding recent sales of several nearby similar properties in an MLS sales database, and arriving at a well-supported value opinion, it is safe to say that that never happens when appraising in a small town. An appraisal of a property in a small community requires extensive research time, including in-office sales databases, networking with other real estate professionals in several communities, and client tolerance for a more subjective result.

As with any assignment, the initial steps taken are to identify the use of the report and to make a preliminary assessment of the data required to develop a credible result. A complete physical description, to include value-influencing factors as well as a legal description and/or survey of the site would be needed. Further, sales, rental and cost data for similar properties would need to be gathered.

The first step should be to research office files and to contact local appraisers, bankers and Realtors to obtain additional recent sales data and current rental information. In an active market sufficient information is likely to be obtained from these sources. Further a review of the market must be undertaken. In a small town, sales of two similar properties may occur 10 years apart under different market conditions. The opening or closing of a sawmill, a mine, a large employer or any particularly negative or positive physical, social, economic or governmental influence could completely reverse the balance of supply and demand for real property in a small community. The community's newspaper archives might be researched to ensure that significant market influences over time are considered. These preliminary considerations can save multiple trips to

the subject community and allow for organization of visits to similar sold properties that may require a trip of 100 miles or more. In addition to observing structures and land attributes of sold property, market conditions in the subject community should be considered for adjustments. Real estate professionals and public records research may be required in several different small communities to develop sufficient market support for a valid conclusion of value.

The value of networking

Small town property appraisal requires organized networking among appraisers on a regional or statewide basis. For areas near state or international borders, contact with real estate professionals in adjacent states or provinces may be helpful.

Small town appraisers need to track as many sales as possible of every type of property within the geographic area served. While this effort is time-consuming, small town sales data has a longer useful life than urban market data. Time frames of up to 10 years may be useful in finding valid indications of supply and demand in the area.

Multiple listing services are developed primarily in urban areas. Because small town properties are more frequently sold by owners to neighbors or relatives without the assistance of a Realtor, the small town appraiser needs to network with property owners and record data as it is discovered. Networking with Federal Rural Lands Agency staff, Farm Credit Service appraisers, and Natural Resource and Conservation Service staff is necessary to stay informed on small town market conditions.

Sometimes, even after researching every known resource, data remains elusive. Today, much of the descriptive information can be obtained from the Internet, including tax parcel number, assessed value, annual taxes, census tract and flood map numbers, improvement sizes, site dimensions and sales or transfer history with recording data. If this information is not readily available on the Internet, a visit or a telephone call to the county's appraisal district is required.

Additional required information would be any sales contract and zoning or the

possibility of zoning changes. If the project is new construction, builder's contracts or contractor bids and replacement cost of the improvements is relevant and should also be estimated.

Local Realtors and lenders must be contacted to determine the demand for similar projects as the subject and to determine the supply and demand factors that drive the local real estate market. These individuals should also be able to provide recent sales and rental data for the local market.

Three approaches

The cost approach requires a valid opinion of land value. However, in a small town there may not have been any land sales in several years. In this case, land sales in nearby, similar communities can be used. If non-local sales are used, a location adjustment must be considered. When no recent land sales in the subject town or similar communities are available, the allocation method may be applicable. This method suggests that a land value can be based on an assessed ratio of land to building for comparable properties. If the building value is known, a land value may be extracted.

The sales comparison approach requires identification of similar sold properties. If no recent similar sales can be found in the subject town or in nearby towns, this approach could be considered irrelevant and omitted with a full explanation as to why the approach was not developed and why the assignment results were still creditable. The decision and support for the omission of an

approach lies with the appraiser and is dependent on market conditions and available data.

Sales in a nearby larger city could be used if a location adjustment can be developed by comparing sales prices of similar properties, one in a similar small town and one in the larger city, with all other conditions being relatively similar. A good searchable sales database for the area's large cities and for surrounding small towns is needed. Other real estate professionals can be interviewed for their knowledge of such sales.

Interviews with small-town property investors are also crucial in the income approach, which can be developed in several ways. Interviews will determine the factors in purchasing decisions. Market data should support the method used. A direct capitalization rate can be derived from confirmed local or nearby sales and local income and expense data. Rents from local projects should be confirmed. Vacancy rates can be supported by discussions with local managers of similar properties. Expenses (taxes, insurance, management, maintenance and reserves for replacement) can be developed from the seller's Schedule E, gathered from past assignments of similar projects and lenders files. Sales and corresponding net income from similar projects in nearby towns can be used to develop a direct capitalization rate as it is reasonable to assume that investors would not invest in a small town for any lower return than they could generate by investing in a nearby city.

If market data indicated that a project's income value is above its cost to build, the project is feasible. Also, the data should indicate that the cost to build is less than the cost of purchasing a similar project. These observations and estimates lend credibility to the final opinion of value.

The cost approach might receive minor consideration if only a cost manual is used. This approach is more credible when local builders' cost bids can be considered. Also, the lack of land sales and the use of an extracted or allocation method to determine land value is highly subjective.

If the subject is an income-producing property, the income approach may provide the best data upon which to base a value opinion. Rental data from the local market and expense data from similar properties within the area can be gathered and the capitalization rate can be based on the sales of similar projects in nearby communities.

Appraising a property in a small town is time consuming and less clearly supported than assignments in an urban setting. While opinions of value of small town properties are often weighted more towards subjectivity than objectivity, a credible appraisal can result, as long as the market data is fully researched and the appraiser remains unbiased.

[Larry Cole, SRA, operates a small family appraisal business in Central Texas. He is a certified USPAP instructor, teaching for several Texas and national providers. He is on the VA and FHA lists and appraises commercial properties of all types throughout the Central Texas area)

